

Vendor Invoicing Through Payment
FI-AP-002
09/17/08 – 09/18/08



LaGOV

Version 1.0

Updated: 08.25.2008

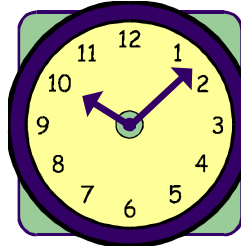


Agenda

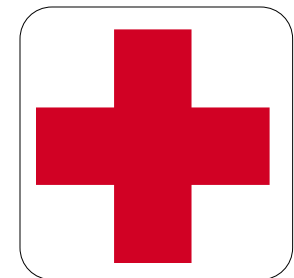
- Logistics, Ground Rules & Introduction
- Project Timeline
- Workshop Objectives
- Business Process Review
 - Process overview
 - AS-IS process flow
 - Current system alignment
 - Process improvement opportunities
 - SAP terms glossary
 - SAP concepts & functionality
 - Business process flow
 - Leading practices
 - Enterprise readiness challenges
- Next Steps – Action items
- Questions



Logistics



Before we get started ...





Ground Rules

- Has everybody signed in?
- Everybody participates – blueprint is not a spectator sport
- Silence means agreement
- Focus is key – please turn off cell phones and close laptops
- Challenge existing processes and mindsets
- Offer suggestions and ideas
- Think Enterprise
- Ask questions at any time
- One person at a time please
- Timeliness – returning from break
- Creativity, cooperation, and compromise





Introduction

■ Roles

- **Process Analyst and Functional Consultant** – lead and facilitate the discussions and drive design decisions
- **Documenter** – take detailed notes to support the formal meeting minutes to be sent by the Process Analyst to all participants for review and feedback
- **Team Members** – provide additional support for process discussions, address key integration touch points
- **Subject Matter Experts** – advise team members on the detailed business process and participate in the decisions required to design the future state business process

Round the Room Introductions

Name

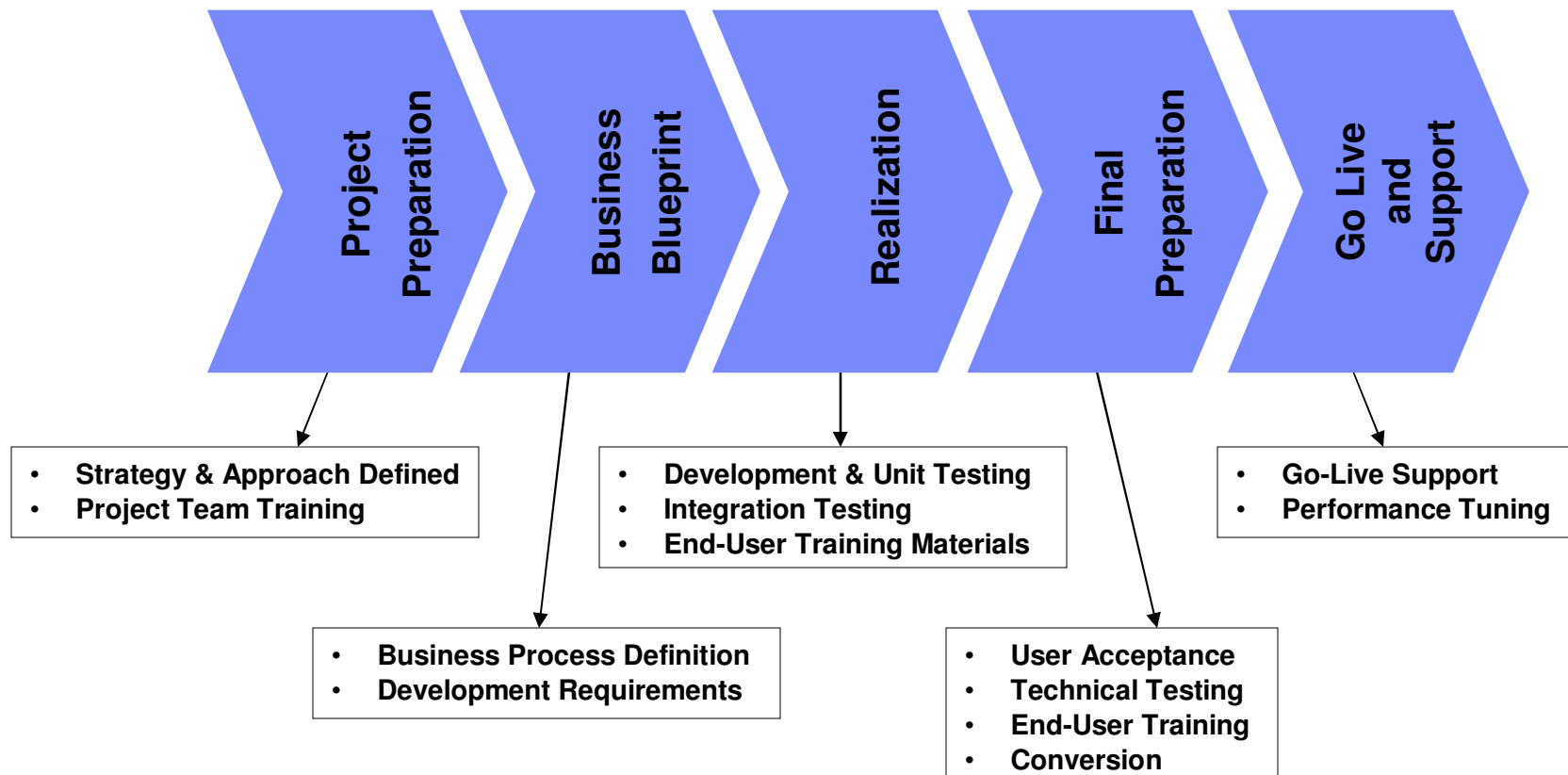
Position

Agency



Project Phases

■ Five Key Phases

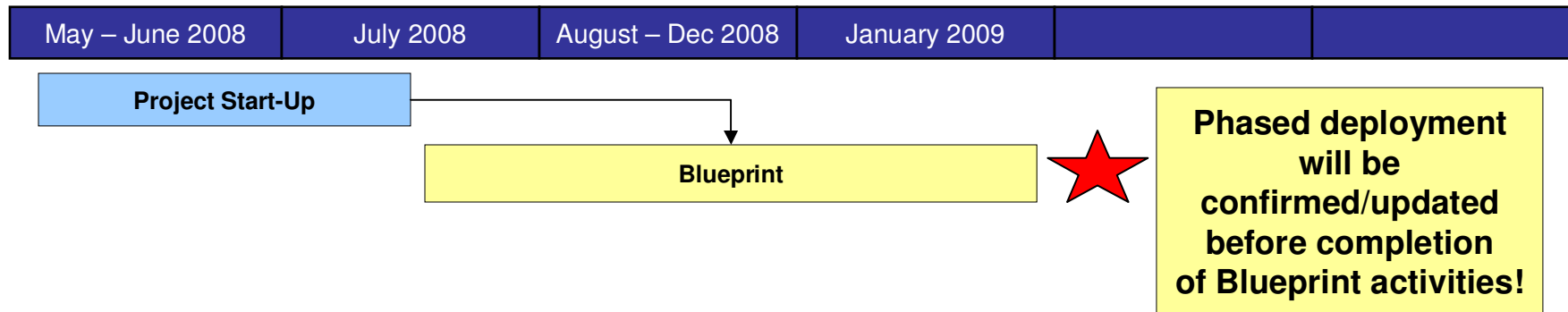




Tentative Project Timeline

- Tentative implementation dates are planned as follows:

Functionality	Tentative Implementation Date
Budget Prep	October 2009
DOTD	February 2010
Core Modules All Agencies	July 2010
Additional Modules	January 2011





Project Organization - Functional Teams

Finance Leads

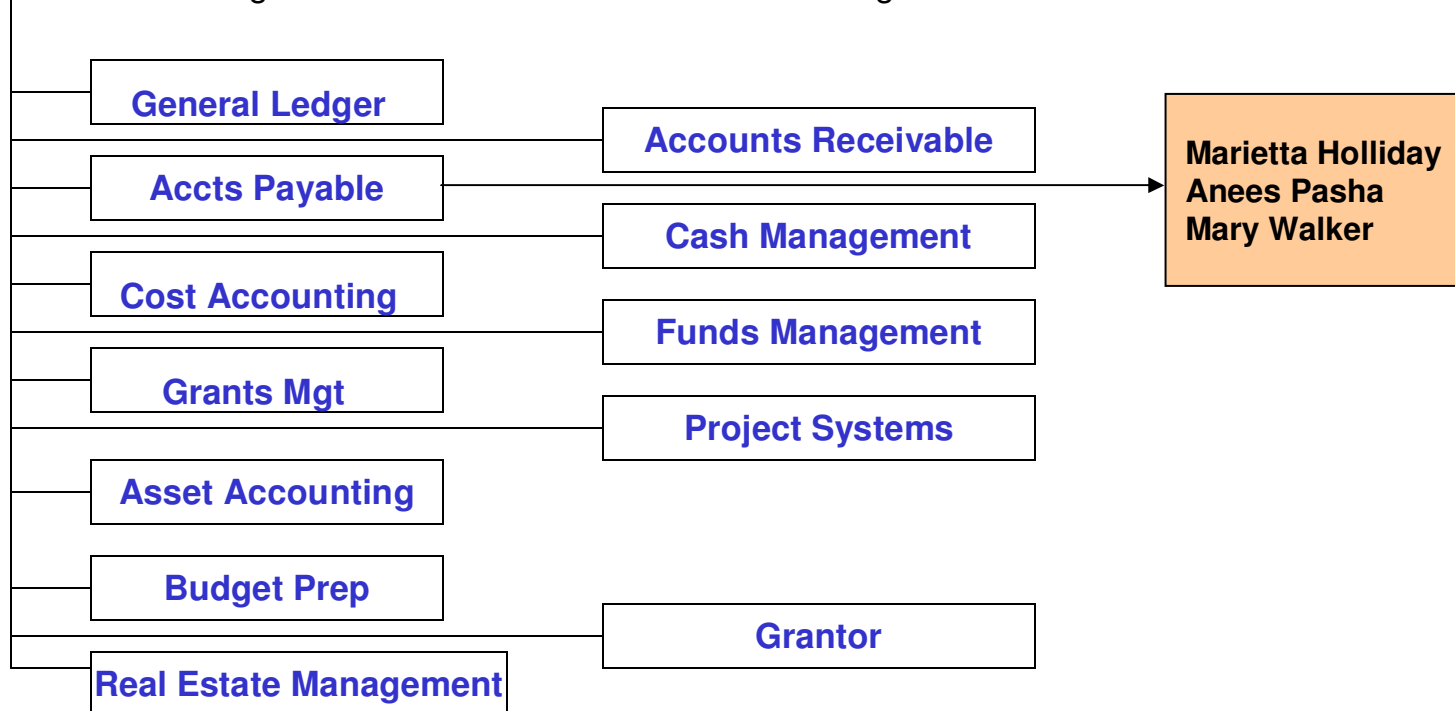
Beverly Hodges – Finance Lead
Drew Thigpen – Finance Lead
Mary Ramsrud – Consulting Lead

Logistics Leads

Belinda Rogers – Logistics Lead
Jack Ladhur – Logistics Lead
Brad Denham – Consulting Lead

Linear Assets Leads

Mark Suarez – Agile Assets Lead
Charles Pilson – Consulting Lead





Blueprint Objectives

- Review and discuss the current or As-Is business processes
 - Which helps to drive out the *Business requirements*
 - As well as the *integration points* with other processes
- Define Master Data
 - Address key integration points
 - Support organizational requirements
 - Consistent and appropriate use of data fields
- Define Future or To-Be business processes based on:
 - Best Practices inherent in SAP
 - Intellectual capital from other SAP implementations
 - State business requirements
- Identify development requirements
 - Which could result in the need for a form, report, interface, conversion, enhancement, or workflow (FRICE-W)
- Understand and communicate any organizational impacts / Enterprise Readiness challenges
- Gather system security authorizations and district-wide training requirements



Accounts Payable Workshops

Session ID	Date	Business Process	Goals
FI-AP-001	08/18/08	Account Code Structure – Vendors	<ul style="list-style-type: none"> - Build business process design for maintaining vendors - Determine field level requirements for Non PO vendors & reporting requirements - Determine use of vendor master functionality - Identify legacy systems that will be used for data conversions
FI-AP-002	09/17/08-09/18/08; 09/23/08	Accounts Payable Processing	<ul style="list-style-type: none"> - Develop business process design for Non PO related vendor invoice approvals - Develop business process design for 3-way/2-way match PO related invoice approvals - Develop business process design for invoice billing discrepancies and invoice tolerances - Develop business process design for vendor down payments. - Develop business process design for outgoing vendor payments - Develop business process design for vendor cash refunds and credits - Develop business process design for recurring vendor invoicing - Develop business process design for vendors who are also customers
FI-AP-003	09/30/08-10/01/08	Check Management	<ul style="list-style-type: none"> - Develop business process design for house banks/bank accounts/check numbering in SAP - Identify check design (output form) - Develop business process design supporting daily check management - Develop business process design for reporting requirements for check management) - Develop business process design supporting escheated checks, return payments
FI-AP-004	10/22/08	1099 Processing	<ul style="list-style-type: none"> - Develop business process design supporting 1099 invoicing and reporting requirements - Develop business process design supporting validating 1099 vendor master data - Develop business process design supporting 1099 data transmission/corrections
FI-AP-005	10/21/08	Non Payable Invoices	<ul style="list-style-type: none"> - Develop business process design for free of charge vendor invoicing
FI-AP-006	10/30/08	Purchasing Card Processing	<ul style="list-style-type: none"> - Develop business process design to import purchasing card data from banking institution - Develop business process design for maintaining default purchasing card account coding - Develop business process design supporting expense approvals/controls/posting - Develop business process design supporting expense posting corrections - Develop business process design supporting period end close procedures - Develop business process design supporting purchasing card credits - Identify reporting requirements



Accounts Payable Related Workshops

Session ID	Date(s)	Business Process	Integration Point with AP
LOG-MM-006	09/30/08-10/02/08	Maintain Purchase Requisitions	Defining 'front end' process for Logistical Invoicing in AP: Create, change and delete
LOG-MM-008	10/07/08-10/08/08	Purchase Requisition Approvals	Defining 'front end' process for Logistical Invoicing in AP: Requisition approvals
LOG-MM-011	11/10/08-11/13/08 (tentative)	PO processing	Defining 'front end' process for Logistical Invoicing in AP: Create, change, approvals and deletion
LOG-MM-025	12/15/08-12/16/08	Procurement Reporting	PO Reporting



Work Session Objectives

- Develop business process design for Non-PO related invoices
 - Data entry process
 - Approvals
 - Treatment of vendor invoice discrepancies
- Develop business process design for 3-way and 2-way matching invoices (PO related invoices)
 - Data entry process
 - Approvals
 - Treatment of vendor invoicing discrepancies
 - Defining vendor invoice verification tolerances
- Develop business process design for outgoing vendor payments
- Develop business process design for vendor cash refunds and credits
- Determine if there is a business requirement to use vendor down payment functionality in SAP
- Determine if there is a business requirement to use recurring vendor invoicing functionality in SAP
- Determine if there is a business requirement to use vendors/customer integration functionality



As-Is Process Flow

Department of Natural Resources (DNR)

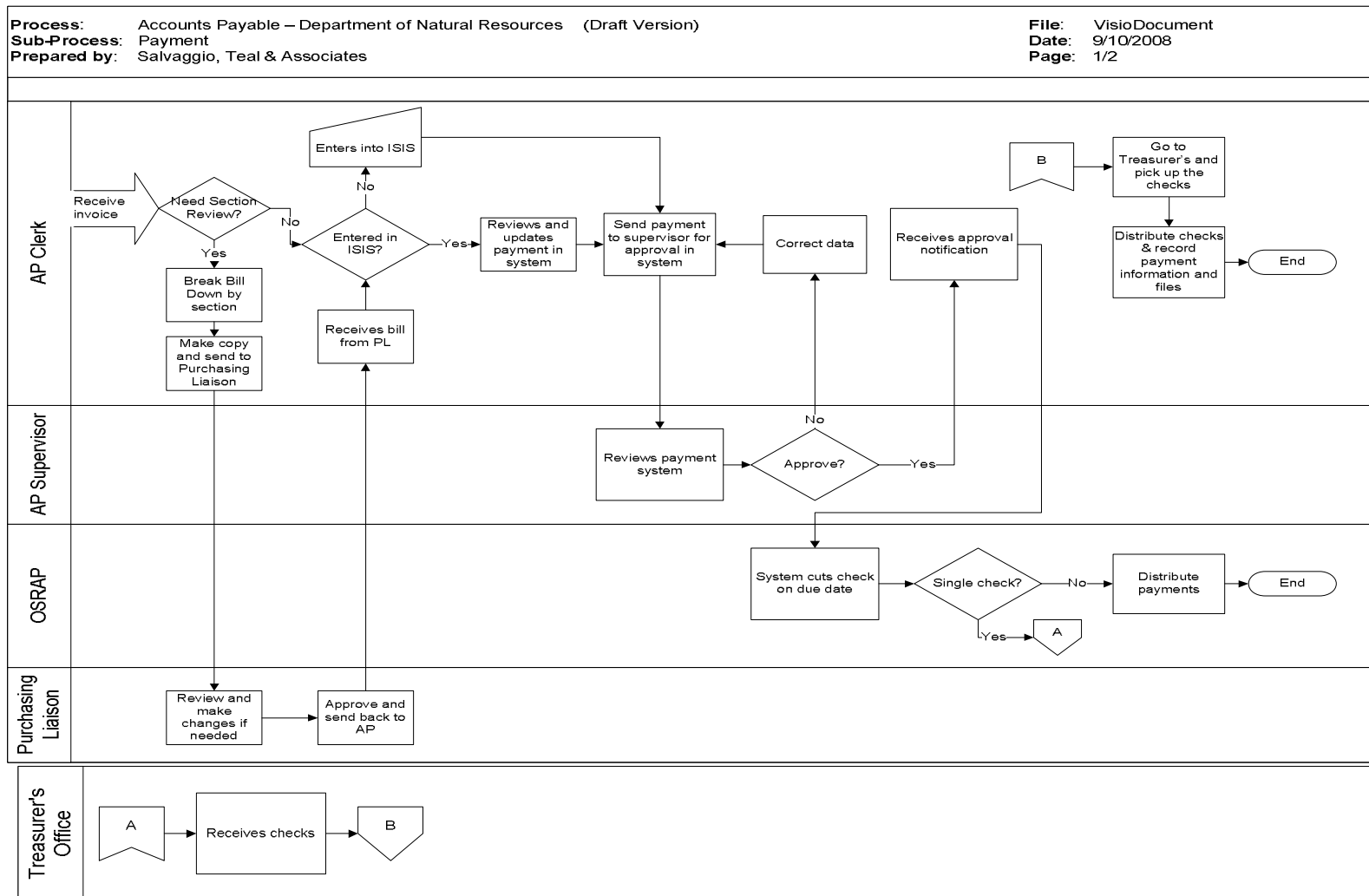
Vendor Invoice through Check Payments



As-Is Process Flow

Department of Natural Resources (DNR)

Vendor Invoice through Check Payments



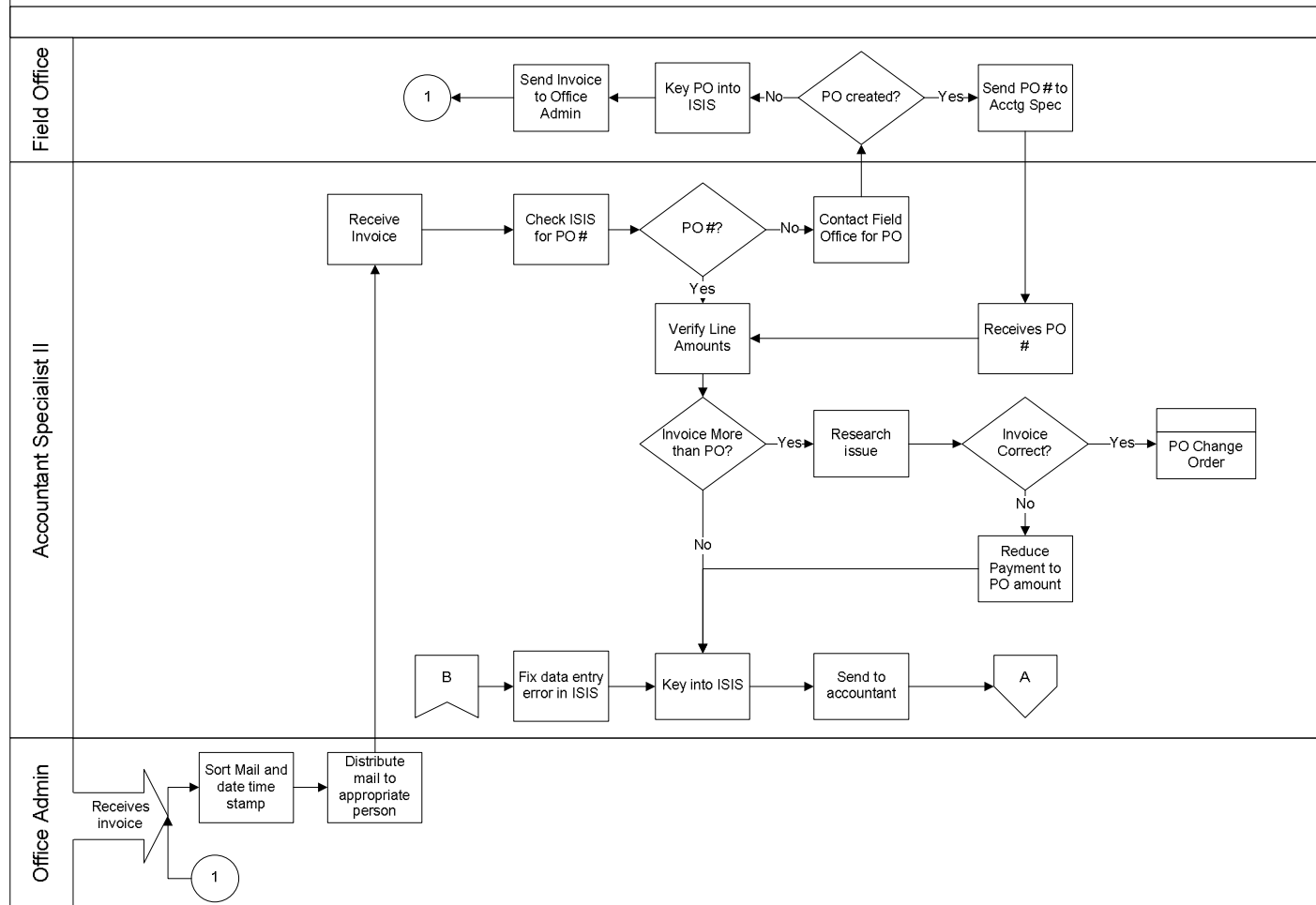


As-Is Process Flow

Department of Public Safety (DPS)

Vendor Invoice through Payments

Process: AGPS Payment – Department of Public Safety
Sub-Process: Accounts Payable
Prepared by: Salvaggio, Teal & Associates
File: DPS AP AGPS Payment Final.vsd
Date: 9/10/2008
Page: 1/2

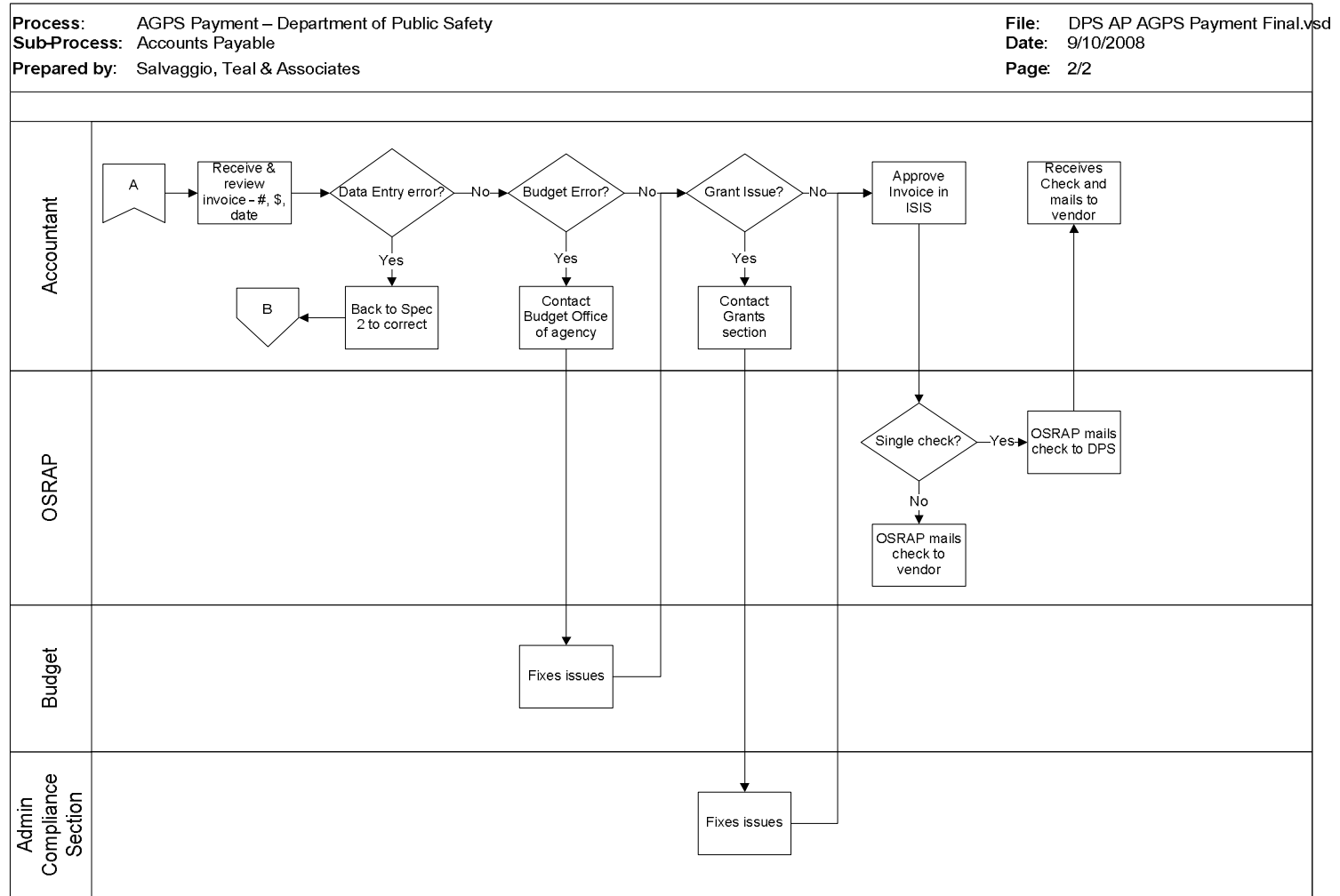




As-Is Process Flow

Department of Public Safety (DPS)

Vendor Invoice through Payments

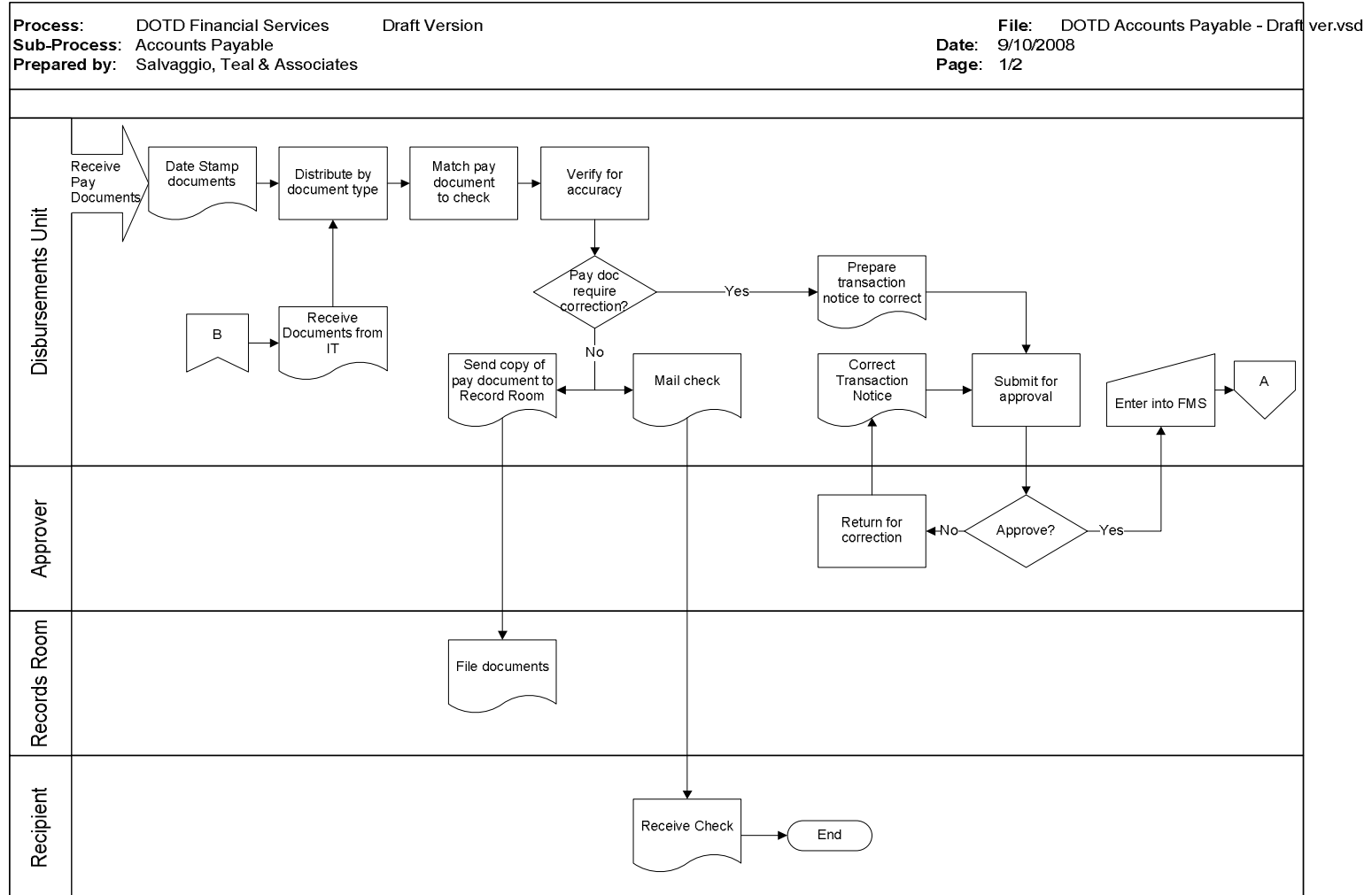




As-Is Process Flow

Department of Transportation & Development (DOTD)

Vendor Invoice through Payments

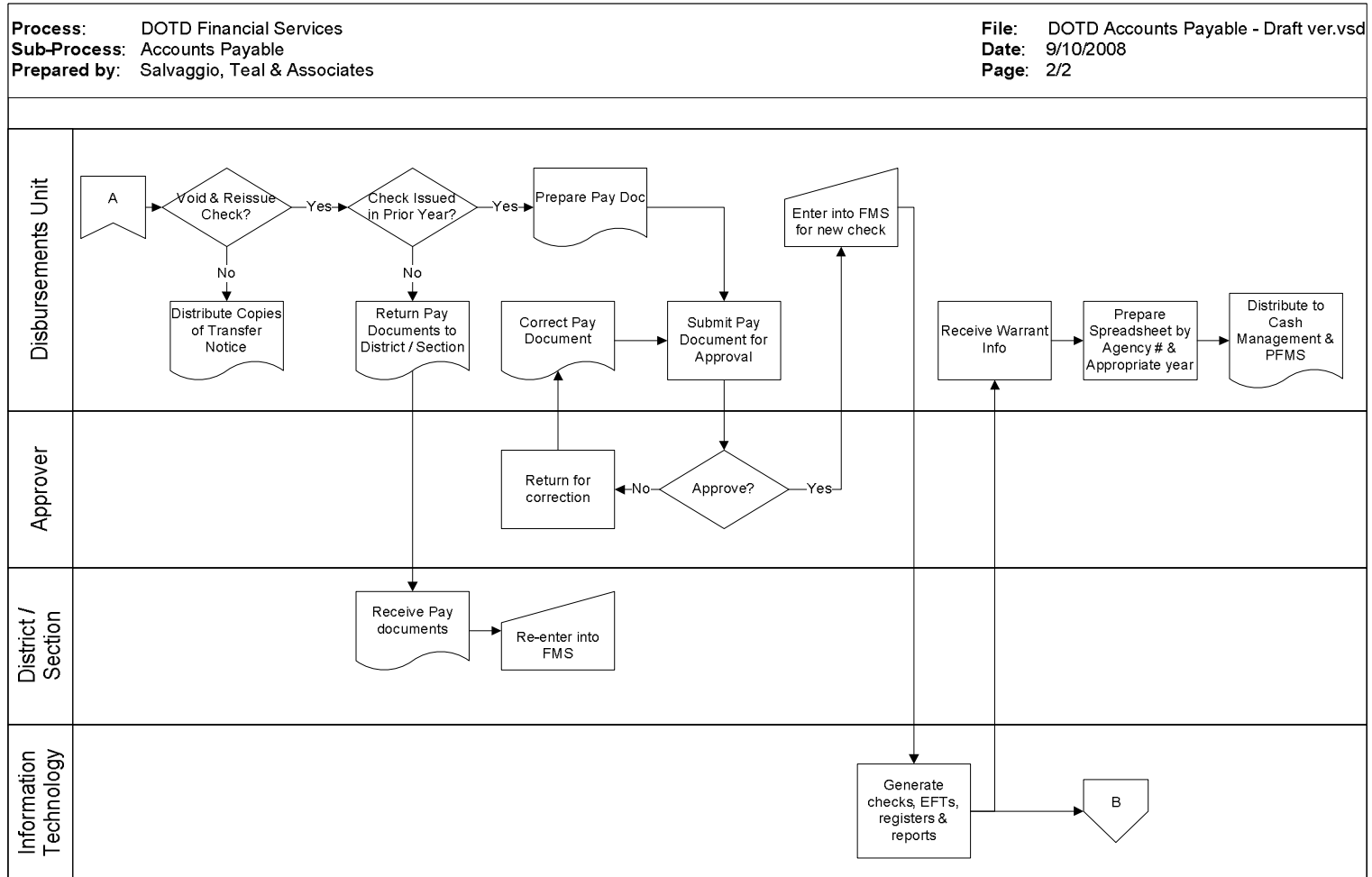




As-Is Process Flow

Department of Transportation & Development (DOTD)

Vendor Invoice through Payments





Review of As-Is Process Flows

- Currently, it seems you have a centralized data processing for vendor invoicing per agency.
 - How do other agencies process vendor invoices and disburse payment?
- What are the vendor payment methods and payment terms are used across agencies?
- What types of purchases are allowed on non PO related invoices? What types of purchased are expected to be on PO related invoices?
- What are the controls in place for invoicing and payment?
- Confirm the following As-Is assumptions:
 - Current AP system used for invoicing
 - Current AP system used for open vendor invoice management
 - Current AP system used for vendor payment processing



Process Improvement Opportunities (Pain Points)

- Provides a consolidated enterprise wide view of the open Accounts Payable
- Standardization of vendor invoicing, payments and vendor open item management
- Accounting system of record is updated in real-time during the invoicing and payment processing
- Purchasing personnel and Accounts Payable Departments have equal access to the same information



Leading Practices

- Establish standard 3-way and 2-way matching policies across the enterprise
- Establish electronic approvals to reduce/minimize manual or paper based approval processing
- Utilize electronic data presentation to automate invoice receipt from vendor
 - EDI
 - XML
 - Electronic bill presentation
- Utilize vendor invoice, credit memo imaging
- Define system controls to cut down on duplicate invoice processing
- Establish clear system driven separation of duties for master data management, invoicing and payments
- Establish 'self service' portals to allow vendors to research typical AP questions (payment status, invoice entry status, etc)



SAP Glossary

Accounts Payable Invoicing

- Non PO related Invoicing – Sometimes called direct data entry, purchase does not require a PO. Functionality allows users to manually enter invoice and credit information into SAP via standard invoicing transactions.
- PO related Invoicing – Also called Logistical invoicing, referring to functionality in SAP allows 3-way match invoicing (matching between: PO, Goods Receipt and Vendor invoice). Additionally functionality includes 2-way match invoicing; generating an automated vendor invoice based on the PO and Goods Receipt.
- Invoice Verification Tolerances – Functionality that allows system controls when processing logistical invoices
- Vendor Business Partners – Functionality separate vendor address data (PO ordering address, invoicing address, payment address) to be grouped in SAP for ease of use and reporting

- Recurring Entry – Functionality that allows invoice data entry to be automated based on contractual agreements with the vendor (billing amounts, start/end dates, etc)
- Park – Functionality that allows invoice and credit memo data to be suspended in system without accounting ledger update. Parked documents can be changed, deleted, or posted in the future. Parked documents can be viewed/maintained by users who have access to parking transactions.
- Hold – Functionality that allows an invoice or credit memo to be suspended in the system without accounting ledger update. Held documents can only be viewed/updated/deleted/posted by the user who originally held the document.
- Workflow – Functionality that allows additional review and approval for documents that are entered/changed in the system



Review of Invoicing in SAP: Non PO related Invoices

- Invoices that do not require a Purchase Order (PO) are entered directly into the Accounts Payable module
 - Manual enter data based on paper invoice receipt
 - Interface invoice data based on data file
- Standard functionality provides:
 - Duplicate invoice checking
 - Alternative payee/business partner functionality
 - Defining required fields during data entry
 - User specific data entry controls based on invoice amounts
 - Parking or holding an invoice
- Custom functionality provides:
 - Workflow functionality to automate electronic approvals
 - Custom fields on the invoice document
 - Substitution or validation of data entry values



Review of Invoicing in SAP: Recurring Invoicing

- Supports periodic billing where a customer is billed according to fixed terms, line item amounts, start/end dates, etc.
- Recurring entry document (contract) is entered into system to define billing specifics
- Recurring entry invoicing program uses recurring entry documents to automatically create postings in AR.
- Standard SAP forms can be used as templates for customized invoice documents.
- Example recurring entry invoices: lease bills, rent, etc



Non PO related Invoicing Design Guidelines

Points to Keep in Mind:

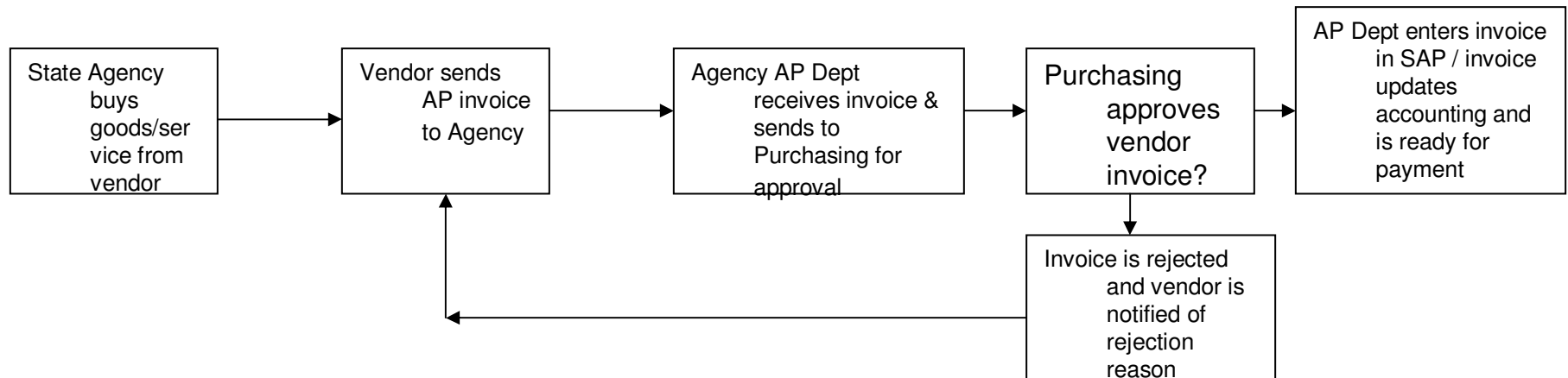
- Keep it simple
- Think enterprise wide
- Think in terms of 'To-Be' design and break 'As Is' traditions
- Reporting requirements

Discussion Points:

- What purchases are allowed on invoices without a Purchase Order?
- How will AP invoicing be done in SAP? Centrally or de-centrally?
- What should be the document number range for non PO related vendor invoices?
- What controls or approvals do you want in place during invoicing & credits?
- What should be the field status requirements for invoice data entry?

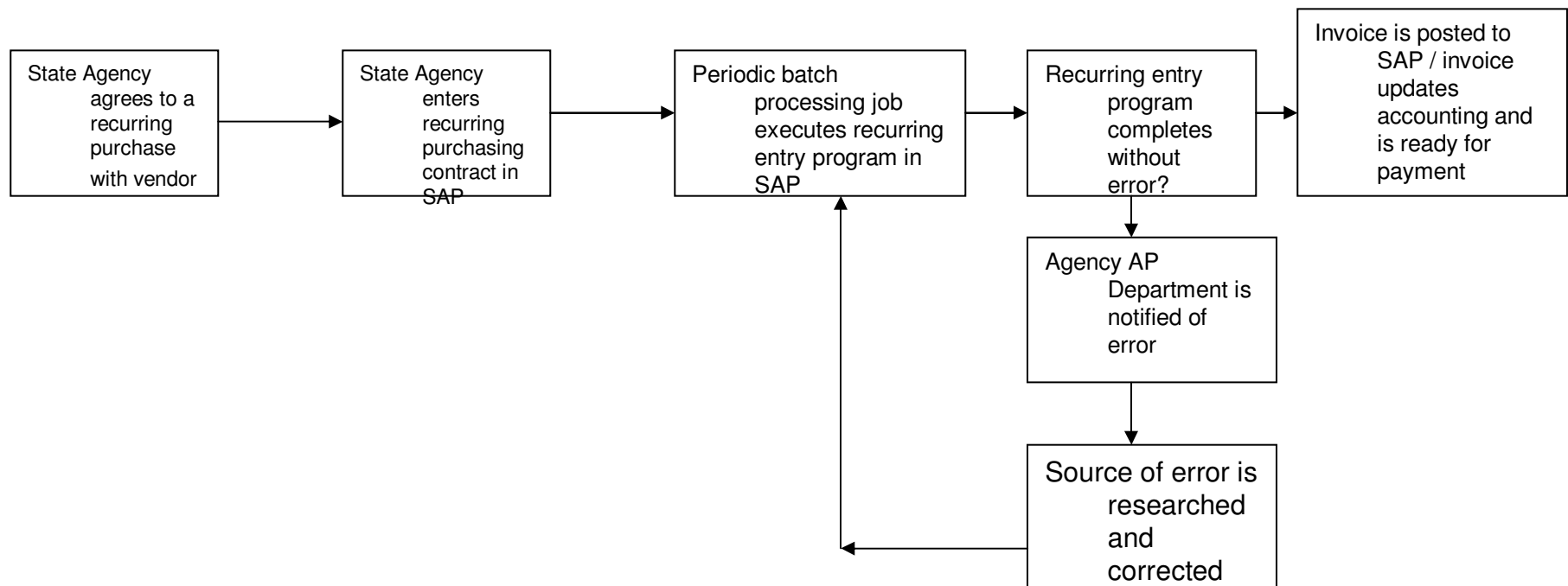


To-Be Business Process Flow: Non PO related Vendor Invoicing





To-Be Business Process Flow: Accounts Payable Recurring Invoicing





To-Be Business Process Flow: Accounts Receivable Invoice Data Entry

Document Edit Goto Extras Settings Environment System Help

Enter Vendor Invoice: Company Code 0010

Tree on Company Code Hold Simulate Park Editing options

Bal. 0.00

Basic data Payment Details Tax Notes

Vendor SQL Ind

Invoice date 08/27/2008 Reference

Posting Date 08/27/2008 Period 2

Document Type Vendor invoice

Amount USD Calculate tax

Tax amount

Text

Company Code 0010 ISIS-HR Paid Baton Rouge

Lot No.

0 Items (No entry variant selected)

St...	G/L acct	Short Text	D/C	Amount in doc. curr.	Loc. curr. amount	T...	Tax jurisdictn code	V\Assignment n
			Debit		0.00			
			Debit		0.00			
			Debit		0.00			
			Debit		0.00			
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Review of Invoicing in SAP: PO related Invoicing (3-way & 2-way) matching

- **3-way Logistical Invoice Matching**
 - This type of invoice verification supports matching the invoice to details of purchase order and goods receipt
 - Invoices that pass this verification, are posted as open invoices in the system/ready for payment
 - Invoices that fail this verification, are blocked/parked until discrepancy can be resolved
- **2-way Logistical Invoice Matching**
 - This type of invoice verification supports automatically entering the vendor invoice based on purchase order details and goods receipt
 - Does not require a invoice receipt from vendor (paper invoice)
 - Requires an agreement/review process with vendor



Review of Invoicing in SAP: PO related Invoicing Tolerance Keys

- During invoicing, the vendor invoice entered into the system is validating using the details from the Purchase Order and the Goods Receipt defined in the system (currently)
- Key invoicing areas (tolerance keys) are checked to make sure that the vendor's invoice is within tolerance when there are discrepancies with invoicing and PO or Goods Receipt
- What should be the settings for each tolerance key?



Review of Invoicing in SAP: PO related Invoicing Tolerance Keys

- Help



PO related Invoicing Design Guidelines

Points to Keep in Mind:

- Keep it simple
- Think enterprise wide
- Think in terms of 'To-Be' design and break 'As Is' traditions
- Reporting requirements

Discussion Points:

- How will AP invoicing be done in SAP? Centrally or de-centrally?
- What should be the document number range for non PO related vendor invoices?
- What controls or approvals do you want in place during invoicing & credits?



To-Be Business Process Flow: Accounts Payable PO related 3-way Matching



To-Be Business Process Flow: Accounts Payable PO related 2-way Matching



To-Be Business Process Flow: Vendor Refunds



To-Be Business Process Flow: Vendor Credit Memo Processing



Review Vendor Payment Processing



Vendor Payment Design Guidelines

Points to Keep in Mind:

- Keep it simple
- Think enterprise wide
- Think in terms of 'To-Be' design and break 'As Is' traditions

Discussion Points:

- What payment methods are used to pay vendors?
- What are your typical payment terms?
- Will payments be done centrally or de-centrally?
- Is there a business requirement to provide payment disbursement confirmation?
- What controls (approvals) should be put in place for payment application?



To-Be Business Process Flow: Vendor Payment Processing



Review Vendor Payment: Advance Payment

- Also known as vendor down payments
- Functionality is used when a down payment is required to secure the production of a good or service
- Down payment receipt is booked as an asset in the general ledger
- Down payments are cleared and tied to an invoice when good or service has been received
- When down payments are cleared, the down payment is a credit to the vendor's invoice



To-Be Business Process Flow: Vendor Down Payments



Review Vendor Account Management: Reporting

- Standard Vendor line item and payment history reports are available in SAP
- Using Business Intelligence (BI) or ECC6 custom reporting functionality (ABAP code, Queries) custom aging reports can be developed based on specific business needs
- SAP reports can be communicated by various means:
 - Printed and mailed, faxed, etc
 - Viewed online
 - Downloaded and saved to external file
- Are there any other specific reporting requirements for vendor account management?



Enterprise Readiness Challenges

- Training
- Establishing and adhering to enterprise wide invoicing and payment policies



Next Steps

- Prepare and send out meeting minutes to invitees.
- Draft Design Document is prepared.
- Follow up on action items identified during the workshop.
- Schedule off-line meeting (s) to discuss areas of special concern
- Plan follow on workshops, as required.
- Plan validation workshop.
- Ensure all to-do's are appropriately documented



Questions?

